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GOVERNMENT CONTROL OF THE WHEAT TRADE IN THE UNITED STATES

It is probable that few American economists with reputations for soundness and sobriety of judgment at stake would have had the hardihood actively to advocate the adoption of the United States Food and Fuel Control act¹ in the form in which it became law, August 10, 1917. It is possible that a majority would have actively opposed the measure if they had been called upon as a body to express their views upon it. Many others, no doubt, would have regarded it as at best a legislative bread-pill—a harmless political concession to a highly alarmed and sadly uninformed, but nevertheless politically powerful, if rather variegated, public opinion. The act appears, on the surface at least, to run counter to some of the most firmly entrenched doctrines in economic theory. However, for better or for worse, it is now the law of the land; and as such it merits an impartial and detailed analysis, regardless of academic prepossessions for or against it.

I

The most important of the provisions of the act which concern the wheat trade may be stated as follows:

Section 1 declares in effect that the act is an emergency measure based upon the war powers of Congress. It is essential to the national security and defense, and for the successful prosecution of the war, to assure an adequate supply and equitable distribution, and to facilitate the movement of foods, feeds, fuel, including fuel oil and natural gas, fertilizers, and machinery required for the actual production of foods, feeds, and fuel, hereafter in this act called necessities; to prevent scarcity, monopolization, hoarding, and injurious speculation affecting such supply and distribution; and to maintain government control of such necessities during the war. For this the President is given authority to enter into voluntary arrangements or agreements, to create and use any agency, and to coördinate activities.

Section 4 makes it unlawful for any person wilfully to destroy any necessities for the purpose of enhancing the price or restricting supply; knowingly to commit waste or wilfully to permit

¹ "An Act to provide further for the national security and defense by encouraging the production, conserving the supply, and controlling the distribution of food products and fuel." No. 41, 65th Congress.

preventable deterioration of any necessities; to hoard, as defined in Section 6 of this act, any necessities; to monopolize any necessities; to engage in any discriminatory and unfair, or wasteful practice; to conspire to limit facilities for transporting, producing, harvesting, manufacturing, storing, or dealing in any necessities; or to restrict supply or distribution, or to exact excessive prices for any necessities.

Section 5 provides for what the Food Administration calls "commodity licensing."² The President is given authority to prescribe regulations under which licenses may be issued and to provide for the issuance of licenses whenever he shall find it essential to license the importation, manufacture, storage, mining, or distribution of any necessities in order to carry into effect the purposes of the act. Farmers, gardeners, coöperative associations of farmers or gardeners, and other persons are exempt from the operation of this section "with respect to the products of any farm, garden, or other land owned, leased or cultivated" by them. Common carriers and "retailers" are also exempt from the operation of the section, a "retailer" being defined as "a person, co-partnership, firm, corporation, or association not engaging in the wholesale business whose gross sales do not exceed \$100,000 per annum."

Section 6 provides penalties, including fine or imprisonment, for hoarding by an individual in a quantity in excess of reasonable requirements for consumption in a reasonable time; or when held by a manufacturer, or dealer in a quantity in excess of the reasonable requirements of his business for use or for sale by him for a reasonable time, or reasonably required to furnish necessities produced in surplus quantities seasonally throughout the period of scant or no production; or when withheld from the market "for the purpose of unreasonably increasing or diminishing the price." This section does not apply to transactions on exchanges, boards of trade, or similar institutions.

Section 7 authorizes the seizure of hoarded necessities and their sale in such manner "as to provide the most equitable distribution."

Section 10 authorizes the President to requisition necessities for the army and navy "or for any other use connected with the common defense . . . and to requisition or otherwise provide storage facilities for such supplies."

² See United States Food Administration Bulletin No. 8, *Commodity Licensing* (Washington, 1917).

Section 11 authorizes the President to purchase, store, and sell at reasonable prices, wheat, flour, meal, beans, and potatoes, and provides that if any minimum price shall have been theretofore fixed, the price paid shall not be less than such minimum price. The money received may be used as a revolving fund "for further carrying out the purposes of this section."

Section 12 authorizes the President to requisition any factory, packing house, oil pipe line, mine, or other plant in which any necessities are manufactured or mined, and to operate the same.

Section 13 gives the President authority to regulate or prohibit transactions in necessities on any exchange, board of trade, or similar institution, whenever he deems it essential.

Section 14 provides for the establishment of "guaranteed prices" for wheat. The price schedule established by the President is expressly guaranteed to producers as the minimum which they may expect to receive. This guarantee runs for a period not exceeding eighteen months. Another part of the section authorizes what Mr. Hoover has called "crop insurance for 1918 wheat growers."³ By this the guaranteed prices for the several standard grades of wheat for the crop of 1918 are to be based until May 1, 1919, upon No. 1 Northern Spring or its equivalent at not less than \$2 per bushel at the principal interior primary markets. The remainder of Section 14 prescribes measures which may be taken to make the prices guaranteed under the section effective. Reliance is had upon two devices: (1) tariff protection against imports of wheat and (2) government purchase of wheat.

Section 26 contains provisions similar to those contained in Sections 4 and 6. The chief difference appears to lie in the fact that Section 26 applies only to persons engaged in interstate commerce or international trade.

Any person carrying on or employed in commerce among the several States, or with foreign nations, or with or in the Territories or other possessions of the United States in any article suitable for human food, fuel, or other necessities of life, who, either in his individual capacity or as an officer, agent, or employee of a corporation or member of a partnership carrying on or employed in such trade, shall store, acquire, or hold, or who shall destroy or make away with any such article for the purpose of limiting the supply thereof to the public or affecting the market price thereof in such commerce, whether temporarily or otherwise, shall be deemed guilty of a felony, and, upon conviction thereof, shall be punished by a fine of not more than \$5,000 or by imprisonment for not more than two years, or both.

³ United States Food Administration Bulletin No. 10, *Grain and Live Stock* (Washington, 1917), page 8.

As in Section 6, however, farmers, gardeners, coöperative societies and certain others are exempted from the operation of these provisions. It is also provided that this section shall not be construed to prohibit the holding in quantity not in excess of the reasonable requirements of business for a reasonable time.

The reasons for the inclusion of Section 26 in addition to Sections 4 and 6 are not clear. Possibly the chief purpose of the section is to give the provisions involved the broadest and most solid foundation in the federal constitution which is obtainable by basing them upon the power of Congress to regulate interstate and foreign commerce as well as upon the war powers of Congress.

II

The more important economic and political conditions affecting the wheat trade which prevailed at the time of the discussion and passage of the Food and Fuel Control act were as follows:

1. Congress had declared on April 6, 1917, that a state of war existed between the United States and Germany and it was as impossible then as it is now (December 8, 1917) to foresee how long this state of war might continue.

2. The United States had had a short wheat crop in 1916 and it appeared certain that the crop of 1917 would be a short crop. The European demand for wheat from the United States was unusually large and was practically certain to continue large.

3. Prices of wheat products and of other foodstuffs, rising before the outbreak of the European war, were rising still higher and large numbers of consumers, especially of the non-agricultural classes, were both angry and alarmed; and the publicly articulate among them were demanding drastic action against "middlemen" and "speculators."

4. Farmers engaged in the growing of wheat in the United States were doubtful as to the wisdom of efforts to increase production in the crop year 1917-1918 because of (1) increasing costs of farm labor, implements, and supplies and (2) the fear of a sharp drop in the price of wheat due to "overproduction" or to the conclusion of peace before the 1918 crop could be marketed.

5. Many wheat farmers in the United States had for years opposed the activities of the grain exchanges, and particularly the trading in futures, and were ready to support any movement designed to stop or restrict operations on the exchanges.

6. Because of extraordinary conditions prevailing in the wheat

trade, due largely to heavy purchases of wheat by representatives of the Allies and speculative purchases of flour for hoarding by housewives, bakers, hotels, and others alarmed over the possibility of a flour famine, the Chicago Board of Trade and other leading grain exchanges deemed it necessary in May to restrict trading in futures. This action appeared to hostile critics of the exchanges to be an admission that, in spite of all the arguments to the contrary urged by the exchanges in the past, trading in futures was both dangerous and unnecessary.

7. Practically all—if not all—European countries, both belligerent and neutral, had adopted governmental control of the supplies, distribution, and consumption of the great food staples and other necessities, and it was known in the United States that the prices of some of these commodities were lower in certain European countries than in the United States. The difference in prices was commonly attributed by consumer spokesmen in this country to the existence of government control in Europe and the lack of it here.

8. The administration at Washington demanded government food control, and the combination of circumstances outlined above enabled the administration to get it.

1-2. The first condition mentioned in the foregoing summary needs no discussion. The second may be shown in part by the following table:

PRODUCTION OF WHEAT IN THE UNITED STATES, 1912-1916⁴

Year	Crop in bushels
1912	730,267,000
1913	763,380,000
1914	891,017,000
1915	1,025,801,000
1916	639,886,000

The shortage in the wheat crop of 1917 anticipated in the spring was due chiefly to winter-killing of the winter wheat sown in the fall of 1916.⁵

The condition of 63.4 was the lowest ever reported for April and the lowest with one exception ever reported for any month.⁶

⁴ Data from the *Yearbook of the United States Department of Agriculture for 1916*, p. 574.

⁵ *Rosenbaum Review* (published by the J. Rosenbaum Grain Company, Chicago), April 7, 1917, p. 3; *Monthly Crop Report*, April, 1917, p. 31.

⁶ *Rosenbaum Review*, *loc. cit.*

The monthly crop report for May was even more discouraging; though it gave a higher condition, 73.2, it forecast a considerably smaller aggregate production, 366,116,000 bushels, the decrease being due apparently to the abandonment of acreage in April in favor of spring-sown crops.⁷

The forecasts of the Department of Agriculture made in the June and July monthly crop reports were somewhat more favorable than the May forecast, being 373,000,000 and 402,000,000 bushels respectively, but considerably lower than the April forecast of 430,000,000 bushels.⁸ In this connection it should be noted that the Bureau of Crop Estimates in the *Monthly Crop Report* for November, 1917,⁹ makes a "preliminary" estimate of 417,347,000 bushels as the amount of winter wheat actually produced in the United States in 1917; 242,450,000 bushels as the corresponding amount of spring wheat, and 659,797,000 as the amount of all wheat so produced.

The deficits in the 1916 and 1917 wheat crops were made more serious by the strong demand for American wheat in the countries of the Entente Allies and in neutral countries in Europe. The causes of this unusual demand were well summarized by Mr. Hoover in an address at Brown University on May 20. Mr. Hoover said:

Since the wonderful world harvest of 1915 the food supplies of the world have been steadily lessening. This year we are faced with a world shortage, and next year this shortage will be greater. Seventy million men in Europe have been called out of productive labor and devoted to fighting and the production of implements of war. The women have been unable to in full renew the harvests, and there has been a great diversion of animals and transport to war. The land is no longer receiving the fertilizer of old. In order to decrease the production of fodder grains and increase the production of bread grains, and to secure protein and fat supplies, Europe is eating into her capital of animals. This again reacts on the productivity of the land, and foodstuffs are beyond this daily being destroyed at sea in shiploads. Our own allies are separated from their normal markets of Russia, Bulgaria, Roumania, while the Argentine has had a crop failure, and the shortage of our allies therefore is more acute than their own decline represents.¹⁰

3. The rise in the prices of foodstuffs has been a subject of pressing interest in the United States since long before the out-

⁷ *Monthly Crop Report*, May, 1917, p. 37.

⁸ *Ibid.*, June, 1917, p. 46; July, 1917, p. 58.

⁹ *Ibid.*, November, 1917, p. 105.

¹⁰ United States Food Administration Bulletin No. 1 (Washington, 1917), pp. 28-29.

break of the European war and various theories have been developed to explain the phenomenon. It will be sufficient for present purposes to accept this rise in prices as a fact and confine our attention to the extent to which it has been accelerated during the war. According to the *Monthly Review of the United States Bureau of Labor Statistics* for June, 1917,¹¹ the retail prices of the principal articles of food had advanced an average of 48 per cent during the four-year period from April 15, 1913, to April 16, 1917, and flour had advanced 107 per cent. During the month from March 15 to April 16, 1917, the retail prices of the principal articles of food rose 9 per cent, which was the greatest advance in food prices in any one month since the outbreak of the European war.¹² Flour advanced 18 per cent during this month.¹² The following month, flour advanced 29 per cent,¹³ and the decline of 8 per cent which occurred during the month from May 15 to June 15 was a decline from a price which was nearly two and three fourths times the price prevailing in July, 1914, "a date immediately preceding the outbreak of the European war," to a price which was two and one half times this pre-war price.¹⁴

The general condemnation by socialists and socialistic sympathisers of the part played by middlemen in our economic system is too well known to need statement. Almost equally well known is the criticism commonly directed against middlemen, and especially against those who "speculate" in farm products, by organizations of farmers and representatives of farmer interests. Many of the latter believe with many socialists that a very large proportion of the middlemen now engaged in marketing food products and other necessities can, should, and will be "eliminated" and replaced by other more economical agencies of a coöperative or governmental nature. The growth of farmers' coöperation in the United States and consumers' coöperation in England and elsewhere in Europe, the public market movement, and the appearance and apparent success of the department store, chain-store, and mail-order businesses have led many persons of influence in radical and liberal political circles to the opinion that there must be something fundamentally wrong with the older methods of commercial distribution. Otherwise, they ask, how could these

¹¹ *Monthly Review of the United States Bureau of Labor Statistics*, June, 1917, p. 953.

¹² *Ibid.*, p. 952.

¹³ *Ibid.*, July, 1917, p. 130.

¹⁴ *Ibid.*, August, 1917, p. 53.

newer trade agencies survive at all in the keen competition which they have to meet? To persons holding this opinion it seems more or less inevitable that these large-scale agencies will eventually drive small business enterprises out of existence—so overwhelming do the advantages of large-scale production appear to be—and that those among them which are conducted for private profit will either be regulated by the government or “taken over” and operated as government enterprises.

Also of importance in explaining the attitude of consumers towards middlemen in a time of rising prices is the growing disposition on the part of many leaders of public opinion to insist on the desirability of requiring some sort of equivalence between services to society and rewards received from society. Regulation of railroad and public utility rates, attempts to control the trusts, and the adoption of graduated income and inheritance taxes, which are in part expressions of this disposition, serve in the minds of many persons as excellent arguments for governmental control of middlemen to the end that middlemen may be compelled to render “reasonable service for a reasonable profit.” Consumers as consumers, whatever they may be as producers, are usually original-cost-of-production theorists when they participate in discussions as to what constitute “fair prices.” They have little patience with the theory that rising prices are socially desirable in a time of scanty supplies on the ground that such prices promote the “most expedient rate of consumption.” Of course, they admit, consumption must be restricted when supplies are scanty, but some better means of securing this result should be found, they argue, than that of leaving the matter to the greed of middlemen. Such means have been found in Europe, many consumers assert, and they could be used here.

4. The campaign for an increased production of wheat in the United States as a war measure started too late to have much influence on the size of the 1917 wheat harvest. Growers of wheat, however, were even then looking ahead to the 1918 harvest (wheat is often grown in a crop rotation planned several years in advance when land is not kept continuously under wheat) and were actively discussing the advisability of increased production. The opinion of many farmers in the grain belt of the Middle West is well expressed by Mr. Cowgill C. Blair, himself a “practical farmer in southwestern Missouri,” in an article in the June number of the

American Review of Reviews.¹⁵ Mr. Blair says that the farmer looks "with suspicion upon any efforts to stimulate him to greater production as a scheme to increase yields and reduce prices."

The specter of over-production and greatly reduced prices is as vivid to the farmer as a class, as is the specter of starvation to those who realize the true situation. High prices always precede low prices, to the farmers' experience, and the idea of sowing \$3 wheat does not appeal to the man who in July and August, 1914, was selling wheat for 62 cents a bushel. While a return to such prices seems at this time impossible, yet to the farmer it seems very probable if a great acreage of wheat is sown next fall [1917]. And a profit of \$3 an acre, the cost of seed, if obtained from wheat at 62 cents, can only result from an unusually good yield.

Farmers in most sections of the country [*i.e.*, in the grain belt?], Mr. Blair continues, are laboring under a "mountain of debt" as the result of the crop failure of 1916. Many have strained their credit to the utmost to expand operations and are financially crippled. Many have been forced by the shortage and the high cost of feed to sell horses which were not actually needed at the time of sale but which are "now necessary for increased operations." "The cost of implements, the scarcity of help and its increased cost, both in wages and in board, discourage increased operations." Furthermore wheat is never a certain crop in the grain belt. "What if unfavorable weather, chinch bugs, Hessian fly, or any of the hundreds of limiting factors in wheat production destroy his [the farmer's] crops?" Mr. Blair asks. "He will find himself without the anticipated profit, and, if he has mortgaged to the limit, without a home or place of business." Nevertheless, many farmers could mortgage their farms to secure "ample capital for vastly increased operations," Mr. Blair thinks, if given a sufficient price guarantee. "A guarantee of, say, \$1.50 per bushel for wheat harvested in 1918 will do more towards increasing the acreage of wheat to be sown next fall than all the literature a rural mail-carrier is capable of transporting."

Similar views were expressed in the hearings before the Senate Committee on Agriculture and Forestry at Washington in April and May, 1917.¹⁶

¹⁵ "The Farmers' Viewpoint," by Cowgill C. Blair in the *American Review of Reviews*, vol. 55 (June, 1917), pp. 629-630.

¹⁶ *Production and Conservation of Food Supplies*. Hearing before the Committee on Agriculture and Forestry United States Senate, 65th Congress, 1st Session, relative to the Proposal for Increasing the Production, Improving the Distribution, and Promoting the Conservation of Food Supplies in the United

5. The hostility of a large proportion of the farmers of the grain belt toward the activities of the grain exchanges and especially toward those which have to do with speculation in futures is a matter of common knowledge which requires no demonstration. More important for our purposes than the reasons for this hostility are its political and economic consequences, actual and possible. There is little evidence to support the argument that the government control of the grain exchanges which the Food and Fuel Control act establishes is merely a sop to the farmers—the purposes of the plan appear to be much broader, as will be shown later; but there is ground for believing that the attitude of farmers toward this part of the measure greatly aided the measure in its journey through Congress and in its appeal for the support of public opinion.

The opinions of farmers were vigorously presented by a number of farmers' organizations, whose officers appeared before the congressional committees in charge of the food control bills or filed resolutions with these committees demanding the suppression or control of the grain exchanges. Among them were the American Society of Equity and the Farmers' Non-Partisan League of North Dakota.

The views of the American Society of Equity were set forth in a series of resolutions filed with the House Committee on Agriculture.¹⁷ These were adopted at a convention of farmers' organizations held at Kansas City, Missouri, on May 7, 1917, and were signed by the president of the American Society of Equity, the master of the Kansas State Grange, the president of the Farmers' Association, the president of the People's College of Fort Scott, Kansas (a socialist institution), and the president of the Farmers' Union of North Dakota. The resolutions included among other things the demand that food control legislation then pending in Congress be amended to include the following provisions:

1. A provision "that maximum and minimum prices of food products be established within 60 days after the passage of the law."

2. A provision "for the prohibition of all speculation in the neces-

States (Washington, 1917), part 1, pp. 30-32, 38-41, 46-49; part 2, pp. 152-155; part 4, pp. 359 ff.

¹⁷ *Food Production, Conservation, and Distribution*. Hearings before the Committee on Agriculture, House of Representatives, 65th Congress, 1st Session, on H. J. Res. 75, H. R. 4125, H. R. 4188, and H. R. 4630 (May 1, 2, 8, 9, 11, 14, 16, 18, 29, and June 11, 1917), pp. 308-309.

saries of life during the full period of the war by the closing of boards of trade, stock exchanges, and chambers of commerce, so far as their speculative activities in such necessities are concerned."

3. A provision "that the government take over, during the period of war, all packing houses, storage plants, warehouses, and terminal elevators and such other industries and utilities as may be necessary for the successful control of the marketing and the distribution of the necessities of life, to the end that the making of fortunes by private speculators and dealers at the expense of those who bear the brunt of the war may be made utterly impossible in this war for democracy and humanity."

Governor Frazier, of North Dakota, testifying before the Senate Committee on Agriculture and Forestry¹⁸ on May 1, 1917, made the following remarks:

Mr. Chairman, about all I can do is to tell you about some of the conditions that actually exist in North Dakota and have existed for a long time. The farmers out there have felt they have not been getting fair prices for their farm products, that they have not been getting a living wage. Oftentimes we sell our products at a loss. The farmers produce the food products, but some one else comes in and sets the price for them. The idea of the national Congress here setting a minimum price on our farm products would be all right, I think. We have had the prices set for us for years and if Congress would take a hand in it, it might help the farmers out. The prices have been set by the speculators, by the gamblers in the grain market.

Governor Frazier added that if Congress were going to set the price to the farmer it should also set the price to the consumer; that is, not allow the speculators to buy the farmers' products for the price stipulated and then let them put up the price to the consumers. The governor asserted that the trouble with the present system of marketing grain is that the grain "goes through too many hands" and suggested as a remedy the establishment of the state-owned terminal elevators and flour mills proposed by the Non-Partisan League of North Dakota. The federal government might also, the governor thought, own and operate terminal elevators and flour mills and buy wheat, grind it into flour and sell the flour at cost to consumers.

Mr. Herbert E. Gason, editor of the *Farmers' Daily Courier-News*, an organ of the Non-Partisan League of North Dakota, advocated¹⁹ governmental control of the distribution of food products during the course of the war as proposed in the bills under consideration, on the ground that it would result in the discovery of

¹⁸ Document cited in footnote 16, part 3, pp. 249 ff.

¹⁹ Document cited in footnote 17, p. 472.

methods of eliminating waste in the marketing of farm products and the enlightenment of the public as to the desirability of adopting these methods.

Opinions similar to those expressed by representatives of the Non-Partisan League of North Dakota and the American Society of Equity were presented by delegates sent to Washington by a conference of grain growers held in Fargo, North Dakota, May 23, 1917,²⁰ to consider governmental control of food prices. At this conference, which claimed to represent grain growers from Wisconsin, Minnesota, North Dakota, South Dakota, and Montana, and which appears to have been dominated by American Society of Equity and Non-Partisan League sentiment, the following resolutions were adopted among others:²¹

We earnestly suggest that in line with the course of other warring nations the government shall immediately prepare itself to seize and operate wherever and whenever necessary all transportation agencies and terminal elevators and warehouses.

Resolved further, That future trading in farm products be prohibited, not as a temporary war measure, but as a permanent government policy.

It should be said that the organizations whose views have just been discussed include only a minor fraction of the grain farmers of the United States. There is reason to believe, however, that the views in question are widely held by farmers outside these organizations, especially in their negative aspects as distinguished from their constructive proposals, and it is possible that what appears to be a growing class consciousness among farmers will convert many who are now indifferent into active supporters of the movement to eliminate the grain exchanges.

6. The action of the Chicago Board of Trade in adopting, on May 14, 1917, rules restricting trading in wheat futures followed an unparalleled rise in prices.²² Contracts for May delivery were then selling at \$3.25 per bushel, millers were paying \$3.45 per bushel for "cash" wheat, and speculators who had sold short in trades involving delivery in May were finding it impossible to cover their short sales.²³ These conditions were chiefly the result of large purchases of May contracts by agents of the Allied governments and the buying of flour for hoarding by housekeepers,

²⁰ *Ibid.*, pp. 403-495.

²¹ *Ibid.*, p. 489.

²² *Dun's Review*, May 19, 1917, p. 19; *Economic World*, same date, p. 697.

²³ *Commercial and Financial Chronicle*, September 1, 1917, p. 867.

bakers, hotel managers, and others who feared a flour famine at a time when short crops, past and prospective, and war conditions had already sent prices to a high level.

Purchases by the agents of the Allies seem to have been much the more important influence on prices.²⁴ It has been estimated that at one time foreign buyers, representing the Allies and certain of the European neutrals, were "long" 70,000,000 bushels of wheat for future delivery;²⁵ and this belief, even though it may have exaggerated the facts, could not help but affect prices. Mr. George S. Jackson, president of the Grain Exporters Association of the United States, asserted before the House Committee on Agriculture, May 14, 1917, that if people thought that buyers for foreign governments had "50,000,000 bushels bought at Chicago" it would "scare the market up 10 cents."²⁶ Mr. J. Ralph Pickell, secretary of the Council of Grain Exchanges of the United States, testified that he thought that "practically all the wheat in this country" was "sold for delivery for export."²⁷ Both Mr. Jackson and Mr. Pickell said that the difficulties were aggravated by the lack of adequate transportation facilities which made it impossible for certain grain firms to get wheat to the markets where they desired to deliver it. To illustrate, Mr. Jackson stated that his firm had purchased 500,000 bushels of wheat "in the West" and had sold it to the Allies and to the "Dutch people" but that it had been unable to get this wheat to the seaboard and had consequently had to duplicate the original purchase elsewhere in order to fulfil its contracts.

Few data as to the extent to which consumers carried the hoarding of flour in the spring of 1917 are available to the writer. Several persons testified before the congressional committees that they knew personally of families who had purchased supplies sufficient to last a year, and the following statement was published in the *Rosenbaum Review* of May 19, 1917:²⁸

The hysteria which swept the country when the prices got above \$3 is rapidly subsiding, and there is decidedly less adverse criticism heard. Several large firms with wide connections throughout the West and Northwest have made a careful investigation of the amount of hoarding of foodstuffs on the part of the general public. The results are start-

²⁴ *Rosenbaum Review*, August 25, 1917, p. 1.

²⁵ *Ibid.*, p. 1.

²⁶ Document cited in footnote 17, p. 269.

²⁷ *Ibid.*, p. 256.

²⁸ P. 4.

ling. In some instances families have been found that had sufficient flour on hand to last them for over a year, while in many sections if the amount of flour had been equally distributed it would be sufficient to last the community for six months or more. Mills reported that their sales in April in some cases were 500 per cent above normal.

The directors of the Chicago Board of Trade prohibited further trading in the May future of wheat, except that necessary to settle outstanding contracts, and fixed a maximum price for such settlements at \$3.18 per bushel. The directors subsequently suspended the speculative "long buying" of the July and September futures and fixed the maximum settling prices on these contracts at \$2.75 and \$2.45 respectively. Similar action was taken by the exchanges in the other western grain markets and by the Winnipeg and New York exchanges.²⁹

The decision of the grain exchanges to eliminate trading in the May future and to restrict trading in other futures seems to have been prompted by suggestions from Washington, a desire to placate an outraged public opinion and, incidentally, to educate it as to the real causes of high prices, and perhaps by a fear among members of the exchanges themselves that economic convulsions were imminent in the wheat trade as the result of war disturbances.³⁰ Whatever the motives, the action was taken by leaders of producer and consumer opinion as an admission that the boasted machinery of organized speculation had completely broken down. This effect was heightened by the fall in the price of flour which followed and by the fact that the buying and selling of actual wheat seemed to proceed without being seriously embarrassed by the absence of trading in "phantom" wheat.

7. The adoption by all European countries, belligerent and neutral, of some measure of government control of food supplies³¹ raised a strong presumption in the minds of the American public in favor of the adoption of government food control in the United States. This presumption was strengthened by widespread reports that the prices of staple food products were lower in England and other of the Allied countries, and in some cases even in Germany, than in the United States. So far as wheat is concerned

²⁹ *Dun's Review*, vol. 25 (May 19, 1917), p. 19; *Economic World*, New Series vol. XII (May 19, 1917), p. 697.

³⁰ *Economic World*, loc. cit.

³¹ *Monthly Review of the United States Bureau of Labor Statistics*, March, 1917, p. 391. This number and succeeding numbers of the *Review* contain an excellent summary of European methods of food control.

these reports were confirmed by a statement issued by the Food Administration at Washington on July 8, 1917, giving out the following information:³²

The Government price in Great Britain is \$1.80 per bushel. The Government price in Australia is \$1.14 per bushel and in India \$1.35. The Government price in France is \$1.80 for home grown wheat, including various bounties. The Government maximum in Italy has been fixed at \$1.60 per bushel for soft wheat and \$1.94 for hard wheat. The Belgian fixed price is to be \$1.60 per bushel and the German price about \$1.80 per bushel.

At that time the price of wheat in the United States was considerably above \$2 per bushel, the price of "cash" wheat at Chicago ranging from \$2.10 to \$2.15 for No. 2 Red to \$2.30 for No. 1 Northern during the week from June 30 to July 6 inclusive, and the price of the July future closing at \$2.12 in Chicago on July 6.³³ The natural conclusion of the public was, whatever the facts may have been, that the higher prices prevailing in the United States were due to the unrestrained greed of middlemen and especially of speculators who were free to exploit both producers and consumers without the governmental interference which restrained such activities on the part of their fellows in Europe.

8. The food control provisions of the Food and Fuel Control act are very largely the work of the United States Department of Agriculture, the Senate and House committees on agriculture, and Mr. Hoover; though how much credit should be given each and how much should be given other persons not named is not clear. The basis for the discussion of the measure in Congress was laid in a bill (H. R. 4125, 65 Cong.) drafted by the legal staff of the Department of Agriculture and introduced in the House on May 3, 1917, by Chairman Lever of the House Committee on Agriculture.³⁴ This bill was succeeded successively by two administration revisions of the original measure (H. R. 4630 and H. R. 4961) which were introduced into the House by Chairman Lever on May 22 and June 11 respectively.³⁵ Food control legislation was demanded by President Wilson³⁶ and other spokesmen

³² *Business Digest*, July 18, 1917, p. 974.

³³ *Rosenbaum Review*, July 7, 1917, pp. 5-6.

³⁴ Document cited in footnote 17, pp. 345-346; *Weekly News Letter* (United States Department of Agriculture), May 16, 1917, p. 1.

³⁵ *Weekly News Letter*, June 6, 1917, p. 1; *Rosenbaum Review*, June 16, 1917, p. 3.

³⁶ *Weekly News Letter*, May 30, 1917, p. 1; *Rosenbaum Review*, June 4, 1917, pp. 1-2.

of the administration and the result was that the latter revision with some amendments became law, after a long discussion in Congress, on August 10, 1917.

III

In analyzing the theory upon which government control of the wheat trade under the Food and Fuel Control act is based it is necessary to divide those provisions of the act which apply to the trade into a number of groups, each of which provides for a distinct course of action, and to consider the theory which supports each separately. It is also necessary to recognize that the theory upon which the act is based is not purely economic but that it is a complex of economic, political, social, and psychological theory.

Reference to the previous summary of those provisions of the act which relate to the wheat trade will show that the following powers were conferred upon the general government or upon the President:

1. Power to punish persons who waste, destroy, or monopolize necessities in the course of "production, manufacture, or distribution" or engage in other practices designed to restrict production or otherwise unreasonably enhance prices.

2. Power to punish hoarding by consumers, manufacturers, or dealers.

3. Authority to seize hoarded necessities and sell them in such manner "as to provide the most equitable distribution."

4. Authority to the President to requisition necessities for the Army and Navy "or for any other public use connected with the common defense . . . and to requisition or otherwise provide storage facilities for such supplies."

5. Authority to the President to purchase, store, and provide storage facilities for wheat, flour and other foodstuffs named and to sell them for cash.

6. Authority to the President to requisition and operate factories, packing houses and other plants, or any part of them, used in the production of necessities.

7. Authority to the President to regulate or prohibit transactions in necessities on the produce exchanges.

8. Authority to the President to fix, and to maintain, when necessary, by special tariff duties or by government purchase, guaranteed prices for wheat, except for the crop of 1918 the basic price for which is guaranteed by Congress at \$2 per bushel until May 1, 1919.

9. Authority to the President³⁷ to license dealers in necessities, if he finds such action essential in order to carry into effect any of the provisions of the act, and to prescribe reasonable charges to be made and practices to be followed by them.

1. The first group of provisions of the act contains principles of law which, for the most part, were already established in substance in the laws of the several states and in the federal laws governing interstate commerce and which required, therefore, no new economic theory to support them. The chief advantage of including these provisions in the Food and Fuel Control act lies in their moral effect as a deterrent and in the probable superior efficiency of the administrative machinery provided by the act, which, it should be noted, may operate throughout the country irrespective of state lines.

2. The arguments in favor of the inclusion of provisions against hoarding were summarized as follows in a memorandum on the constitutionality of food control legislation prepared for the House Committee on Agriculture by Mr. Francis G. Caffey, solicitor of the Department of Agriculture, and his assistants:³⁸

In times of alleged or real shortage there is a disposition amongst consumers, based upon the fear of actual need or the apprehension of higher prices, to buy up and store quantities of necessities in excess of their ordinary requirements. Such practices frequently result in spoilage and abnormally tend to increase prices. The fear or apprehension on the part of the consumer is commercialized, and inspires hoarding by speculators for the purpose of making unusual profits. There are indications that hoarding is being practiced throughout the country by both consumers and speculators. If hoarding be not restrained by Congress, it is likely to result that, while there were sufficient necessities in the country to supply all the needs of the Government and the people, the Government and many of the people could not get sufficient for their needs unless at excessive prices.

3. The granting of authority to the government to seize and sell necessities found to be hoarded naturally accompanied the prohibition of hoarding.

4. The granting of authority to the President to requisition supplies for the Army and Navy seems to have been accepted as a matter of obvious necessity although the use of the phrase "or

³⁷ Although the Food Administration has been given the task of administering the food control provisions of the act it is nowhere specifically mentioned in the act, the President's authority for enlisting the aid of the Food Administration being found in the general terms of Section 2.

³⁸ Document cited in footnote 17, p. 504.

for any other public use connected with the common defense" might well, by reason of the very broad interpretation possible, have given rise to an interesting discussion of economic theory. The issue involved in this phrase, however, is presented more forcibly by the groups of provisions next to be considered.

5. That the government should be given authority in case of extreme emergency to purchase and subsequently dispose of food products, and to fix maximum or minimum prices was recommended to the Senate in a report by Secretary Houston of the Department of Agriculture on April 18, 1917, in compliance with a Senate resolution (Number 26) adopted April 6, 1917.³⁹ This recommendation embodied the views of a conference on the general agricultural situation held by the Secretary of Agriculture at St. Louis on April 9 and 10, 1917, with the agricultural representatives of thirty-two states. The conference had adopted a report in which the following was one of the suggestions made:⁴⁰

The very low food reserves of the world, due to last year's short crops, the increased demands due to the consumption and waste of war, and the disappointing condition of the winter grain crop give ample assurance of profitable prices to producers this year. Therefore, the fixing of maximum or minimum prices need not be undertaken at this time, but the fact that such a course may become necessary in the future advises the creation of agencies which will enable the Government to act wisely when the necessity may arise. To this end, it would be well for the Congress of the United States to authorize the Council of National Defense, if deemed necessary, to purchase, store and subsequently distribute food products, or to fix prices in any national emergency caused by a temporary or local overproduction, or by a sudden ending of the war, or by restraints of trade, manipulations, or uneconomic speculation, in order that producers may not be required to suffer loss on account of the extraordinary efforts they are now asked to make and in order that consumers may not be required to pay oppressive prices in case of disorganized or inadequate transportation.

Secretary Houston's reason for recommending that the government be given authority to deal in foodstuffs in case of emergency was evidently his belief that it might be necessary in order to provide an effective method for maintaining any minimum or maximum prices which might be fixed by the government. This opinion was shared by Mr. Hoover, who asserted in his testimony before the Senate Committee on Agriculture and Forestry on May 8,

³⁹ *Weekly News Letter*, May 2, 1917, p. 1.

⁴⁰ *Weekly News Letter*, April 25, 1917, p. 3; also pp. 4-10, document cited in footnote 17.

1917, that a maximum price had proved a failure in Europe except when the government owned so much of a commodity that it could control the market. To illustrate he stated that the French government imported last year about 25 per cent of their bread-stuffs requirements and used that as a club to maintain the maximum price, but "in all commodities where there is no club of that character the maximum price is a total failure." In explanation Mr. Hoover added that when a maximum price is established, immediately all consumers who can will open a chain directly with the producer, not only to supply their daily needs but to enable them to hoard; and that a phenomenon accompanying maximum price has been the total disappearance of the commodity from the normal market within from a fortnight to three months' time, because those minority consumers who can reach the producer directly will absorb the whole supply and will make their own bargains.⁴¹ However, as will be shown later, Mr. Hoover favored a fixed price instead of a maximum or a minimum price.

6. That the Department of Agriculture should be given power to "take over" and operate factories, packing houses, and other plants used in the production or distribution of food, feeds, agricultural implements and machinery, fertilizers and other agricultural supplies "whenever such course may be necessary in the public interest" was another of the recommendations made to the Senate in the report submitted to it by Secretary Houston on April 18, 1917.⁴² The granting of this power had also been urged by the St. Louis conference mentioned above.⁴³ The arguments in favor of Secretary Houston's recommendation are found in the memorandum on the constitutionality of food control legislation prepared by the legal staff of the Department of Agriculture.⁴⁴

It may be found that certain mines, factories, or plants are idle and that their owners are not able or willing to operate them; that some are engaged in producing foods or fuels when other foods or fuels are more desirable in the light of war needs or that others are engaged in producing foods or fuels which are essential for ourselves and the countries with which we are coöperating but are disposing of them in neutral countries. Obviously, in such cases, the exercise of the power to take over and operate is plainly adapted to stimulating production and to

⁴¹ Document cited in footnote 16, part 4, pp. 377-378.

⁴² *Weekly News Letter*, May 2, 1917, p. 2.

⁴³ *Ibid.*, April 25, 1917, p. 2.

⁴⁴ Document cited in footnote 17, p. 504.

assuring an adequate and continuous supply of food or fuel for ourselves and the countries relying upon us for assistance.

If the foregoing quotation correctly and completely represents the views of the Department of Agriculture, the primary purpose of the power sought was to stimulate production rather than directly to restrain prices to consumers. Mr. Hoover, in urging the granting of "large powers" to the proposed food administrator, which apparently included the power in question, seems to have had the control of prices and distribution as his primary object. As is well known, Mr. Hoover has advocated resort to the voluntary coöperation of men in the food trades whenever possible as preferable to compulsion; but he is a man of too broad experience to overlook the incentive to coöperation which the possibility of government seizure of industry creates. Consequently, Mr. Hoover argued that it was "absolutely necessary" for the government to have "complete power" over the distributors of food products subjected to government control. This would make it possible for the government to force the unwilling five per cent likely to be found among the dealers in the food trades in all countries into coöperating with the patriotic ninety-five per cent and the government under penalty of surrendering all control of their businesses to the government.⁴⁵

7. The authority given the President to regulate or prohibit transactions in necessities on the grain exchanges raises one of the several fundamental questions in economic theory which are presented by the act. This authority was contained in the bill (H. R. 4630) considered by Solicitor Caffey and his assistants, the arguments for the grant of power to the President being stated as follows:⁴⁶

In order to restrain injurious speculation the exchanges on which necessities are dealt in may, if the emergency requires, be subordinated to control by the President. While exchanges undoubtedly render many useful services to legitimate business, nevertheless it is a fact that at times some of them may be employed for purely speculative purposes and they are susceptible to use for manipulation. The privilege of dealing on small margins through exchanges may enable market manipulators, upon the investment of relatively small capital, to depress or enhance prices as their interests may appear, without regard to the law of supply and demand. This privilege may be exercised against the producer and the consumer alternately. War conditions have a tendency to inflame cupidity and create uncertainties which breed destruc-

⁴⁵ Document cited in footnote 16, part 4, p. 385.

⁴⁶ Document cited in footnote 17, pp. 504-505.

tive speculation. Unjustifiable price fluctuations may take place overnight. These demoralize and disturb legitimate business interests and the processes of production and distribution. The exchanges afford facilities for speculative trading in forward contracts for necessities by citizens and aliens, which under readily conceivable circumstances might be inimical to the best interests of this country and seriously hamper the Government in provisioning its Army and Navy.

It is to be regretted that no attempt was made in the foregoing statement to explain the differences between "injurious" or "destructive" speculation and the "many useful services" rendered by the exchanges and that the particular kinds of market "manipulations" and "unjustifiable price fluctuations" referred to are not described in detail. In this connection it should be stated that Secretary Houston and other spokesmen for the Department of Agriculture have been very guarded in their expressions of opinion concerning the extent to which "injurious speculation" prevails in the wheat trade. Secretary Houston stated before the House Committee on Agriculture⁴⁷ that speculation "may be a very influential factor" in causing high prices and fluctuations in prices but that he would "like to have more facts, fuller knowledge, before expressing a final opinion."

Mr. Hoover, perhaps as the result of his two and a half years' experience with the grain trade as chairman of the Belgian Relief Commission, was more positive and more definite in his arguments for government control of the grain exchanges and other distributing agencies in the trade. His arguments are based solely upon war conditions—from the first he has urged that the activities of the food administration should cease with the war—and they carry no suggestion that permanent changes in our marketing system are necessary or desirable. If Mr. Hoover sees the need of such changes he evidently believes that they should be made after the war. The purpose of the Food and Fuel Control act is to meet the acute needs of a great international crisis, not to satisfy the demands of those producers and consumers who believe that the marketing of food products and other necessities is a proper government function in times of peace as well as in times of war.

As Mr. Hoover sees the present situation "our normal economic machine for the regulation of prices is broken down"⁴⁸ and "the

⁴⁷ Document cited in footnote 17, p. 18.

⁴⁸ "Waste Not, Want Not—An Interview with the United States Food Administrator," by Donald Wilhelm, *Independent*, vol. 90 (June 9, 1917), pp. 459-460.

normal determination of the price of wheat by the ebb and flow of commerce is totally destroyed.”⁴⁹ This condition is the result of the general dislocation of international trade in wheat and wheat products, the urgent need for American wheat in Europe, and the practical monopoly of export buying maintained by the Allies in the United States. Unless the government in coöperation with private commercial interests sets up temporary machinery which will restore “stability of prices” the play of economic forces and other influences on the grain exchanges will send prices to a level which will cause much suffering to consumers and consequently serious embarrassment to the government in its prosecution of the war. Prices will rise if unrestrained, Mr. Hoover explains,⁵⁰ partly because of the “clamorous desire for food” in Europe and partly because the American market will be subject to “violent agitation” from the “shocks of irregular demand and supply and of speculation” which will compel middlemen to exact wider margins as compensation for the greater risks they will have to assume.

8. Both Secretary Houston and Mr. Hoover considered it necessary that the government should be given the power to fix prices for wheat. Secretary Houston, in the report which he submitted to the Senate on April 18, 1917, urged that the government should have power to fix maximum or minimum prices for food products “in case of extreme emergency.”⁵¹ This was in accordance with the suggestions made on the subject by the St. Louis conference.⁵² Secretary Houston advocated a grant of power to some administrative agency to fix minimum prices on the ground that such action might be necessary to induce farmers to increase production.⁵³ The power to fix maximum prices should not be exercised, he thought, to depress prices to producers but the government should use this power, if necessary, to “control uneconomic speculation and manipulation in the handling [*i.e.*, in the distribution] of food products.”⁵⁴ He was not advising, Secretary Houston explained to the House Committee on Agriculture,⁵⁴

⁴⁹ United States Food Administration Bulletin No. 6 (Washington, 1917), p. 8.

⁵⁰ *Independent*, *loc. cit.*, United States Food Administration Bulletin No. 1, p. 9, and Bulletin No. 6, p. 8; and document cited in footnote 16, part 4, p. 376.

⁵¹ *Weekly News Letter*, May 2, 1917, p. 2.

⁵² See p. 79 above.

⁵³ Document cited in footnote 16, part 1, p. 17.

⁵⁴ Document cited in footnote 17, p. 19.

that the powers in question should actually be exercised with respect to any particular commodity, but he thought it necessary that the government should have these powers. Questions as to the commodities whose prices were to be fixed and the methods of determining the prices to be established would have to be left to be decided after careful study of European experience and our own "domestic conditions and relations."

Mr. Hoover, like Secretary Houston, seems to have looked upon direct price fixing by the government as a device to be used only as a last resort. Mr. Hoover's chief purpose in advocating food control was, it is true, to secure governmental machinery which would restrain food prices from rising as they might have risen without it; but he appears to have placed reliance mainly upon the voluntary coöperation of dealers in the food trades reënforced by certain regulatory provisions of the legislation proposed, "the penal provisions against waste and hoarding" and "positive action on the part of the Government in the purchase and sale of food-stuffs."⁵⁵ Mr. Hoover's published utterances on the subject of direct price fixing, however, are not specific as to the extent to which he thinks the government could wisely go in fixing prices.

Mr. Hoover's principal political argument for government control, direct or indirect, of food prices is that such control is essential to the preservation of domestic tranquillity during the war. The beneficent effect of high prices as a conservator of scanty food supplies Mr. Hoover denies.⁵⁶ It is true, he admits, that high prices reduce consumption but they do it at the expense of the poorer classes of consumers and "there is no national conservation," he argues, "in robbing our working classes of the ability to buy food." In the long run rising prices will be followed by rising wages but this result will come about but slowly and unevenly. "As the wage level rises with inequality," Mr. Hoover explains, "it is the door leading to strikes, disorder, to riots and defeats of our national efficiency" and the experience of the world proves that it is wiser to control prices than to attempt to "readjust the income of the whole community."

The political importance of the price of wheat Mr. Hoover

⁵⁵ Testimony before the Senate Committee on Agriculture and Forestry, June 19, 1917. Reprinted in United States Food Administration Bulletin No. 1, pp. 16-27. See especially p. 21.

⁵⁶ Address before the National Chamber of Commerce at Atlantic City, September 19, 1917. Reprinted in United States Food Administration Bulletin No. 7.

illustrates by reference to conditions among the Allies. "With the lower classes of Europe," he says,⁵⁷ "bread is the fetish of food"; and "without the loaf, even assuming that you could put into their bellies a dietetic sufficiency of something, you could not preserve public tranquility." In support of this contention Mr. Hoover quoted the mayor of Paris as saying to him that "they had four days' bread supply in the city of Paris, and if they did not get it on the fifth day the war would be over."

It will no doubt be generally agreed that rising food prices in time of war constitute a serious menace to domestic peace as well as to the public health; but, it may be asked, does the proof of the existence of a danger prove the efficacy of the safeguards proposed against it? Mr. Hoover answered this question⁵⁸ while the Food and Fuel Control bill was pending in Congress by asserting that "as a general fact, the average prices to the consumer were lower in food-controlled countries than in the United States" and referring specifically to the prices of bread in Belgium, France, and England which he said were respectively 60, 40 and 30 per cent lower than the price of bread in the United States.

The savings to the American consumer resulting from government food control should be made, Mr. Hoover thinks,⁵⁸ "by the exclusion of speculative profits from the handling of our food-stuffs" and not "by a sacrifice on the part of the producer." The exclusion of "speculative profits" from the wheat and flour trades, Mr. Hoover estimated in June, 1917,⁵⁸ would permit the reduction of the retail price of flour from an average of \$14 or more per barrel to \$9 per barrel, thus saving the American public \$50,000,000 per month without trenching upon "normal manufacturing cost" or the "normal profits of the trade."

It is evident from the foregoing that Mr. Hoover believes in general that the "normal price" of the cost-of-production theorists among economists is *the* just price; though it should be noted that he apparently considers no part of speculative profits as "necessary profits" which must be covered by the normal price. The choice of maximum, minimum, or fixed prices as the basis of a government price-fixing policy therefore gives Mr. Hoover no difficulty. "Of European experience in price-fixing," he says,⁵⁹

⁵⁷ Document cited in footnote 16, part 4, 375.

⁵⁸ Testimony before the Senate Committee on Agriculture and Forestry, June 19, 1917. Reprinted in United States Food Administration Bulletin Nos. 1 and 2.

⁵⁹ Address before the National Chamber of Commerce at Atlantic City,

“practically but one formula has remained, and that is the fixed specified price for every stage of a given commodity, from its raw to its finished delivered state, based as nearly as may be on the cost of production and reasonable return on capital.”

The provisions of the Food and Fuel Control act which guarantee wheat growers in the United States a minimum price of \$2 per bushel for the 1918 crop are the result of the amendment of the administration food control bills as originally introduced. The theory upon which this price guarantee is based has already been set forth in the quotations from farmer spokesmen.⁶⁰ It is probably one of the least assailable of the theories which support the act and, although the necessity of a price guarantee was questioned in the discussion of the act in Congress, there seems to have been little doubt of its efficacy barring crop failures when applied in time to a situation demanding a stimulus to production. Such questions as were raised concerned the necessity of any additional stimulus to production, the adequacy or reasonableness of the minimum price decided upon, and the policy of fixing this price by legislative action. It is true that Mr. Hoover expressed himself as opposed to reliance upon minimum prices; but his opposition seems to have been directed not so much against the use of a guaranteed minimum price as an incentive to the farmer as against the proposal to stop with the fixing of minimum prices or to fix both minimum and maximum prices. In connection with Mr. Hoover's views it may be noted that the fixed, “arbitrary price”⁶¹ which he advocated will serve as a guarantee to the farmer if fixed sufficiently in advance of the harvest or if certain, when fixed, to be based upon a reasonable consideration of the farmer's costs of production so far as the latter are ascertainable.

9. The provisions which authorize the President to license dealers in necessities and, when necessary, to prescribe their charges and practices remain to be considered in our analysis of the theory upon which the Food and Fuel Control act is based. The licensing provisions are an administrative device designed merely to aid in carrying out the general purposes of the act, and in themselves, therefore, present a political rather than an economic problem. Briefly summarized⁶² the argument is that September 19, 1917. Reprinted in United States Food Administration Bulletin No. 7.

⁶⁰ Pp. 69-70 above.

⁶¹ Document cited in footnote 16, part, 4, pp. 381, 415.

⁶² Document cited in footnote 17, p. 505.

licensing is a "convenient and necessary means" of bringing dealers under direct federal supervision and control and thereby "eliminating waste, preventing hoarding, regulating rates and charges, conserving the food supply, preventing discriminatory and unfair practices, and procuring from time to time valuable information concerning supply and demand."

The authority given the President to prescribe reasonable charges and practices for dealers in necessities subject to the licensing provisions, when the charges and practices of such dealers are found to be unreasonable, is designed, like the licensing provisions, to aid in carrying out the general provisions of the act. The arguments in favor of this grant of power were, for the most part, included or implied in the arguments advanced in favor of the main policies of the act and therefore need not be examined in detail here.

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